

ORIGINAL

NEW APPLICATION



0000095882

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2009 APR 24 P 3:07

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20674A-09-0199

DUSTIN J. LUNT (CRD # 4705919) and
KAMI E. LUNT, husband and wife,

NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, FOR RESTITUTION,
OF REVOCATION, FOR ADMINISTRATIVE
PENALTIES, AND FOR OTHER
AFFIRMATIVE ACTION

DJL & ASSOCIATES, L.L.C., a terminated
Arizona limited liability company,

Respondents.

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents DUSTIN J. LUNT and DJL & ASSOCIATES, L.L.C. have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and that DUSTIN J. LUNT controlled DJL & ASSOCIATES, L.L.C. within the meaning of A.R.S. § 44-1999, such that he is jointly and severally liable under A.R.S. § 44-1999 to the same extent as DJL & ASSOCIATES, L.L.C. for violations of the Securities Act..

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

Arizona Corporation Commission
DOCKETED

APR 24 2009

DOCKETED BY

nr

II.

RESPONDENTS

2. DUSTIN J. LUNT ("LUNT") is an individual who, at all times relevant, resided in Maricopa County, Arizona. LUNT is the manager of DJL & ASSOCIATES, L.L.C.

3. KAMI E. LUNT has been at all relevant times the spouse of LUNT and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. §44-2031(C) solely for purposes of determining the liability of the marital community.

4. At all relevant times, LUNT acted for his own benefit and for the benefit or in furtherance of the marital community.

5. DJL & ASSOCIATES, L.L.C. ("DJL") is a terminated, manager-managed, Arizona limited liability company with a last known principal place of business in Maricopa County, Arizona.

6. LUNT and DJL may be referred to collectively as "Respondents."

III.

FACTS

7. At all relevant times, LUNT was a registered securities salesman affiliated with World Group Securities, Inc. ("WGS"), an Arizona registered securities dealer. LUNT was terminated by WGS on February 12, 2008.

8. At all relevant times, DJL was not registered as a securities dealer.

9. From on or about October 2007 to November 2007 in Maricopa County, Arizona, Respondents offered and sold to four investors \$70,000 of investment contracts issued by DJL with the title Rate of Return Contract. Respondents have repaid to investors amounts totaling \$50,000.

10. The offers and sales of the Rate of Return Contracts were not recorded on the records of WGS. Investments associated with DJL were not authorized investment products of WGS and LUNT was not authorized by WGS to sell them.

1 11. The Rate of Return Contracts confirm the amount of the investment by the
2 investors in DJL and give the investors two options regarding the return on their investment,
3 namely "Monthly Income" and "Monthly Compounding." The investors will either "be paid
4 monthly at an interest rate of 5%" or "get credited a monthly interest of 5% [while] the money
5 stays in and continues to compound."

6 12. Respondents deposited all of the investors' money into one of Respondents' bank
7 accounts for investment by Respondents and Respondents expected to keep as their
8 compensation the difference between what the investments would actually yield and the 5
9 percent return to be paid to investors pursuant to the Rate of Return Contracts.

10 13. LUNT represented that Respondents would put the investors' money into "some
11 alternative investments," investments chosen by Respondents, not the investors, including a
12 highly profitable venture that funded television advertisements for a variety of products (the "TV
13 AD Venture"). In August 2007, LUNT viewed the TV AD Venture's website that claimed
14 investors would earn annual returns between 4,800 and 12,000 percent.

15 14. In September 2007, LUNT learned that the TV AD Venture's operations were
16 transitioning offshore. In early November 2007, the TV AD Venture stopped making payments
17 to its investors and LUNT was unable to obtain a refund of principal from the operators of the
18 TV AD Venture. In late December 2007, LUNT learned that the Securities and Exchange
19 Commission had filed an enforcement action against the principals of the TV AD Venture for
20 fraud, alleging that the TV AD Venture really had no business operations and that it was simply a
21 Ponzi scheme. Respondents did not disclose to the investors any of the foregoing information.

22 15. Although Respondents received some payments from the operators of the TV AD
23 Venture, \$20,000 of the investors' money was lost.

24 16. In January 2008, LUNT told the investors simply that the TV AD Venture lost
25 money and that "things didn't work as planned," so Respondents refunded to the investors what
26 money of theirs that Respondents had left at the time.

17. The Rate of Return Contracts given to all of the investors guarantee their principal investment and provide that, upon cancellation, the investors shall receive a full refund. Respondents have repaid in full some, but not all, of the investors.

18. From August 2007 to January 2008, THOMAS S. BLACKWELL ("BLACKWELL"), one of the WGS registered securities salesmen supervised by LUNT as a WGS branch manager, raised from eleven investors \$1,429,000 to invest in the TV AD Venture, the same advertising venture for which Respondents solicited investors. LUNT knew about these sales by BLACKWELL and knew that they were neither recorded on the records of WGS nor authorized by WGS. However, LUNT did not contact BLACKWELL'S investors, did not report BLACKWELL to WGS, and took no action whatsoever to address BLACKWELL'S activity.

19. In January 2008, BLACKWELL asked LUNT to attempt to recoup BLACKWELL'S investors' losses by using \$470,000 of investor money in foreign currency trading. After just a few days of trading, LUNT lost \$23,486 of the investor money. These securities transactions were not recorded on the records of WGS.

20. LUNT failed to discharge many of the supervisory duties incumbent upon him by reason of the WGS Written Supervisory Procedures Manual and system for applying the procedures contained therein. LUNT failed to conduct quarterly interviews of BLACKWELL, to review the outside business activities of BLACKWELL, and to advise WGS of BLACKWELL'S regulatory violations and sales practice improprieties.

IV.

VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

21. From on or about October 2007 to November 2007, Respondents offered or sold securities in the form of investment contracts within or from Arizona.

22. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

23. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

24. DJL offered or sold securities within or from Arizona while not registered as a dealer pursuant to Article 9 of the Securities Act.

25. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

26. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Failing to disclose information that contradicted or raised doubt about the legitimacy of the representation that the TV AD Venture was highly profitable; and,

b) Failing to disclose that some investors would be repaid in full before other investors and that Respondents would decide which investors that would be.

27. This conduct violates A.R.S. § 44-1991.

28. LUNT directly or indirectly controlled DJL as its manager. Therefore, LUNT is jointly and severally liable under A.R.S. § 44-1999 to the same extent as DJL for its violations of A.R.S. § 44-1991.

VII.**REMEDIES PURSUANT TO A.R.S. § 44-1962****(Revocation of Registration of Salesman; Restitution, Penalties, or other Affirmative Action)**

29. LUNT'S conduct is grounds to revoke his registration as a securities salesman with the Commission pursuant to:

- a) A.R.S. § 44-1962(A)(2) for violating A.R.S. §§ 44-1841 and 44-1991;
- b) A.R.S. § 44-1962(A)(10) for engaging in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions); and,
- c) A.R.S. § 44-1962(A)(11) for failing to reasonably supervise salesmen under the salesman's supervisory control.

30. LUNT'S conduct is grounds to assess restitution, penalties, and/or take appropriate affirmative action pursuant to A.R.S. § 44-1962. Specifically, LUNT engaged in dishonest or unethical practices as defined by A.A.C. R14-4-130(A)(17) (effecting securities transactions that were not recorded on the records of the dealer with whom he was registered at the time of the transactions) and failed to reasonably supervise salesmen under his supervisory control.

VIII.**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

- 1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. §§ 44-2032;
- 2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032;
- 3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

1 4. Order Respondents to pay the state of Arizona administrative penalties, pursuant to
2 A.R.S. § 44-1962;

3 5. Order the revocation of LUNT'S registration as a securities salesman pursuant to
4 A.R.S. § 44-1962;

5 6. Order that the marital community of LUNT and Respondent Spouse be subject to
6 any order of restitution, rescission, administrative penalties, or other appropriate affirmative action
7 pursuant to A.R.S. § 25-215; and,

8 7. Order any other relief that the Commission deems appropriate.

9 IX.

10 HEARING OPPORTUNITY

11 Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S.
12 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing,**
13 **the requesting respondent must also answer this Notice.** A request for hearing must be in writing
14 and received by the Commission within 10 business days after service of this Notice of Opportunity
15 for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
16 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may
17 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
18 site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

19 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
20 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
21 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
22 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
23 Opportunity for Hearing.

24 Persons with a disability may request a reasonable accommodation such as a sign language
25 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
26

Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
Requests should be made as early as possible to allow time to arrange the accommodation.

X.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

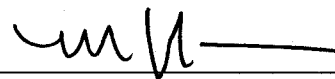
Additionally, the answering respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Aaron S. Ludwig.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering respondent or respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering respondent intends in good faith to deny only a part or a qualification of an allegation, the respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 24 day of April 2009.



Matthew J. Neubert
Director of Securities